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Suite 1000, 550 – 6th Avenue SW  
Calgary, Alberta T2P 0S2  
Tel: 403.294.3620 Fax: 403.515.3407  
Website: [www.nal.ca](http://www.nal.ca) Email: [Investor.Relations@nal.ca](mailto:Investor.Relations@nal.ca)

## **NAL ANNOUNCES 2010 GUIDANCE WITH STRONG CARDIUM OIL FOCUS**

**Media Release No. 02-10**

**January 20, 2010**

CALGARY, January 20 / 2010 / - NAL Oil & Gas Trust (“NAL” or the “Trust”) is meeting with the investment community in Calgary, Alberta on Thursday, January 21, and in Toronto, Ontario on Monday, January 25, to outline details of NAL’s 2010 operating plan and financial assumptions. The Trust’s 2010 guidance presentation will be available on its website ([www.nal.ca](http://www.nal.ca)) Thursday, January 21, at 8:30 am MST.

### **2010 STRATEGIC DIRECTION AND PRIORITIES**

NAL’s strategic focus for 2010 will build on the Trust’s positive performance in 2009. The Trust plans to maintain its leadership position in the Cardium oil resource play in central Alberta, continue ongoing activity in the attractive Mississippian oil portfolio in SE Saskatchewan and invest in strategic gas opportunities on the Trust’s expanded land portfolio. The Trust also plans to divest of approximately 500 boe/d of non-strategic assets designed to high grade its asset base.

NAL has structured its 2010 plans targeting a total payout ratio (distributions + capital expenditures) of 110% - 115% which balances an extensive inventory of light oil opportunities, maintaining distributions, and prudently managing the balance sheet. Consistent with 2009, NAL’s balance sheet strength and access to capital markets positions the Trust to take advantage of value adding acquisition opportunities in the future. Subject to final bank documentation being completed, the Trust’s credit facility is expected to be increased to \$550 million from \$450 million as a result of the Breaker Energy transaction closing, which occurred on December 11, 2009.

The Trust currently has \$535 million of safe harbour available for transactions before the end of 2010. Safe harbour restrictions were imposed as part of the Tax Fairness Plan announced on October 31, 2006.

NAL management continues to assess alternatives for corporate conversion and reiterates that the company plans to maintain a yield oriented business model post conversion. The timing of conversion is expected to occur in late 2010 or early 2011 in order to maximize the tax shield currently provided for in the trust model and protect its \$1.2 billion of available tax pools.

NAL has based its 2010 plans on a US\$77 WTI per barrel crude oil price a 1.05 Cdn/US\$ exchange rate and Cdn\$5.00 per GJ AECO natural gas price.

## 2010 CAPITAL PROGRAM FOCUSED ON CARDIUM & MISSISSIPPIAN OIL

NAL is planning a \$175 million capital program and expects to drill approximately 137 (67 net) wells, the largest drilling program in the Trust's 14 year history. The trust operates over 90% of its capital expenditures in 2010 and is not facing material land expiries, providing significant flexibility over timing and scale of the program to react to commodity prices and prevailing market conditions.

### 2010 Capital Allocation

	\$MM
Drill, complete, tie-in	140
Recompletions	7
Plant / facilities	8
Land / seismic	<u>10</u>
	165
Other	<u>10</u>
	175

Note: Capital is before AB drilling credits of \$10 million.

The 2010 program is focused 80% on Cardium oil development opportunities in Alberta and Mississippian oil projects in Saskatchewan with incremental capital committed to strategic natural gas drilling, in Alberta and British Columbia. Highlights of the opportunities in the 2010 program include:

- Cardium oil projects in Central Alberta will continue to be a focus for the Trust at its existing Garrington/Westward Ho core area as well as delineating trend acreage to the south, at Lochend (Cochrane) and to the north, at Pine Creek;
- In Saskatchewan, a large inventory of conventional oil prospects on existing lands coupled with new opportunities added in 2009 will lead to drilling 61 (30 net) horizontal wells. These wells are expected to add production and continue to delineate several existing Mississippian trends, adding new locations to future inventory;
- For natural gas, the Trust plans to drill two additional wells on the existing Kakwa Falher development program in Alberta and in NE British Columbia, NAL is planning to drill two Fireweed horizontal wells and the first Halfway horizontal at Trutch.

The Trust plans to have an active first quarter, spending approximately 35% of its full year capital.

## PRODUCTION VOLUMES

The 2010 capital program is forecast to deliver production volumes averaging between 29,500 – 30,500 boe per day. Incorporated in this guidance range, the Trust plans to divest of approximately 500 boe per day in non-strategic assets designed to high grade the existing asset base. Production in 2010 is forecast to be balanced with a 50% weighting to crude oil and natural gas liquids and 50% weighting to natural gas.

### 2010 Production Volume

Crude oil (bbl/d)	13,000
Natural gas liquids (bbl/d)	2,100
Natural gas (mmcf/d)	89
Total Volume (boe/d)	30,000

Note: assumes mid-point of guidance range.

## OPERATING COSTS

Operating costs per boe are expected to be consistent with 2009 levels due to lower power and third party costs, offset somewhat by higher property taxes and utilities primarily in Saskatchewan. Operating costs are expected to be between \$11.00 – \$11.50 per boe. NAL will continue to focus on cost initiatives in its field operations to manage increases in these costs and take advantage of improved operations efficiencies in 2010.

## 2010 FULL YEAR GUIDANCE SUMMARY

Our 2010 Guidance is summarized as follows:

Average total production (boe/d)	29,500 – 30,500
Capital expenditures (\$MM)*	175
Wells Drilled (Gross/Net)	137/67
Operating costs (\$/boe)	11.00 – 11.50

\*excluding property and corporate acquisitions & before AB drilling credits of \$10MM

\*\*excluding unit based compensation

## FINANCIAL POSITION – BALANCE SHEET, CREDIT LINES, HEDGING

NAL's full year 2009 results will be announced on Wednesday, March 10, 2010. At year-end 2009, net debt is estimated to be approximately \$282 million compared to committed credit lines of \$550 million (subject to completion of final bank documentation). The Trust's 2010 net debt to 12 month trailing cash flow ratio is anticipated to be in the range of 1.0 times (with total debt, including convertible debentures, at 1.7 times).

NAL continued its hedging activity to protect cash flow for the purposes of sustaining distributions and maintaining an active capital program. For crude oil, NAL has 46% of net budgeted 2010 production (after royalty) hedged for the full year. For natural gas, NAL has 45% of net budgeted volumes hedged for the full year. All commodity hedge counterparties are Canadian chartered banks.

## **DISTRIBUTION LEVELS**

NAL anticipates maintaining the monthly distribution at the current \$0.09 per unit level, provided that the stated guidance parameters and commodity price assumptions are realized.

## **Forward Looking Statements**

This press release contains statements that constitute “forward-looking information” or “forward-looking statements” (collectively “forward-looking information”) within the meaning of applicable securities legislation. This forward-looking information includes, among others, statements regarding: business plans for drilling, exploration and development; estimates of production and operations performance; forecasted commodity price estimates of future sales; estimated amounts and timing of capital expenditures; estimates of operating costs and unit operating costs; business strategy and plans or budgets; estimated timing and results of new development; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance.

Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking information contained in this press release. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by NAL and described in the forward-looking information contained in this press release. Undue reliance should not be placed on forward-looking information. The material risk factors include, but are not limited to: the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing oil and natural gas, market demand and unpredictable facilities outages; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of estimates and projections relating to production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; risk that adequate pipeline capacity to transport the natural gas to market may not be available; fluctuations in oil and gas prices, foreign currency exchange rates and interest rates; the outcome and effects of any future acquisitions and dispositions; safety and environmental risks; uncertainties as to the availability and cost of financing and changes in capital markets; competitive actions of other industry participants; changes in general economic and business conditions; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; changes in tax laws; changes in royalty rates; and the results of NAL’s risk mitigation strategies, including insurance; and NAL’s ability to implement its business strategy. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors which could affect NAL’s operations or financial results are included in NAL’s most recent Annual Information Form and Annual Financial Report. In addition, information is available in NAL’s other reports on file with Canadian securities regulatory authorities.

Forward-looking information is based on the estimates and opinions of NAL’s management at the time the information is released.

## **Boe Conversion**

Throughout this press release, the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (mcf) of natural gas for one barrel of oil and is based on an energy equivalence conversion method. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalence conversion method primarily applicable at the burner tip and does not represent a value equivalence at the wellhead.

## **About NAL**

NAL Oil & Gas Trust provides investors with a yield-oriented opportunity to participate in the Canadian Upstream Conventional Oil and Gas Industry. The Trust generates monthly cash distributions for its Unitholders by pursuing a strategy of acquiring, developing, producing and selling crude oil, natural gas and natural gas liquids from pools in southeastern Saskatchewan, central Alberta, northeastern British Columbia and Lake Erie, Ontario. Trust units trade on the Toronto Stock Exchange under the symbol "NAE.UN".

For further information:

**Clayton Paradis, Manager, Investor Relations**

Telephone: 403.294.3620

Toll Free: 888.223.8792, Fax: 403.515.3407

Email: [investor.relations@nal.ca](mailto:investor.relations@nal.ca) Website: [www.nal.ca](http://www.nal.ca)